

TOWN OF EGREMONT, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2012

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Egremont, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Egremont, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Egremont, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Egremont, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the Town of Egremont, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Egremont, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Scanlon & Associates, LLC
South Deerfield, Massachusetts

September 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Egremont, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The Town's assets exceeded its liabilities by \$13,452,814 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$13,360,425 or an increase of \$92,389 (1%) over last fiscal year's total net assets.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$1,590,258, an increase of \$163,654 (11%) in comparison with prior year.
- The General Fund's total fund balance increased \$2,237 (0.2%) to \$1,115,073. The ending fund balance is 31% of revenues and 30% of expenditures and transfers out.
- Total long term liabilities of the Town increased to \$1,369,002 during the fiscal year. This change was mainly the result of net increases in Other Post Employment Benefits (OPEB) of \$67,797 and bonds payable decreasing by \$33,094.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$319,989. The key factors that attributed to the free cash amount for fiscal year 2012 are, approximately, as follows:
 - Unexpended/unencumbered appropriations \$ 152,400.
 - Excess over budget – state and local receipts \$ 56,800.
 - Prior year free cash not appropriated \$ 124,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve, as an introduction to the Town of Egremont's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the water activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Egremont adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights
Statement of Net Assets Highlights

	Governmental Activities 2012
Assets:	
Current assets	\$ 2,167,976
Capital assets	<u>8,130,612</u>
Total assets	<u>10,298,588</u>
Liabilities:	
Current liabilities (excluding debt)	137,335
Current debt	34,000
Noncurrent liabilities (excluding debt)	206,090
Noncurrent debt	<u>66,000</u>
Total liabilities	<u>443,425</u>
Net Assets:	
Capital assets net of related debt	8,030,612
Restricted	678,222
Unrestricted	<u>1,146,329</u>
Total net assets	<u>\$ 9,855,163</u>

	Business-Type Activities 2012
Assets:	
Current assets	\$ 29,282
Capital assets	<u>4,493,946</u>
Total assets	<u>4,523,228</u>
Liabilities:	
Current liabilities (excluding debt)	22,881
Current debt	34,125
Noncurrent liabilities (excluding debt)	3,725
Noncurrent debt	<u>864,846</u>
Total liabilities	<u>925,577</u>
Net Assets:	
Capital assets net of related debt	3,594,975
Unrestricted	<u>2,676</u>
Total net assets	<u>\$ 3,597,651</u>

Financial Highlights
Statement of Activities Highlights

	Governmental Activities 2012
Program Revenues:	
Charges for services	\$ 171,767
Operating grants and contributions	91,572
Capital grants and contributions	227,089
General Revenues:	
Property taxes	3,090,429
Motor vehicle excise and other taxes	180,732
Penalties and interest on taxes	18,166
Nonrestricted grants	244,996
Unrestricted investment income	4,369
Miscellaneous	2,713
Total revenues	4,031,833
Expenses:	
General government	429,673
Public safety	476,387
Public works	878,940
Education	1,398,472
Health and human services	86,880
Culture and recreation	85,909
Employee benefits and insurance	412,313
State assessments	1,411
Interest	3,379
Total expenses	3,773,364
Transfers, net	(88,232)
Change in net assets	170,237
Net assets - beginning of year	9,684,926
Net assets - end of year	\$ 9,855,163

	Business-Type Activities 2012
Program Revenues:	
Charges for services	\$ 138,129
Total revenues	138,129
Expenses:	
Water	304,209
Total expenses	304,209
Transfers, net	88,232
Change in net assets	(77,848)
Net assets - beginning of year	3,675,499
Net assets - end of year	\$ 3,597,651

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$13,452,814 at the close of fiscal year 2012.

Net assets of \$11,625,587 (86%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$678,222 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,149,005 (9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets increased by \$170,237 (2%) during the current fiscal year, which reflects the general fund's results of operation. The key element of the increase in net assets for fiscal year 2012 was an increase of \$67,797 in net OPEB obligation and an increase in bonds payable of \$1,031.

There was a decrease of \$77,848 (2%) in net assets reported in connection with the water business-type activities. This is mainly attributed to depreciation expense on capital assets exceeding the debt principal payment of debt.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,590,258 an increase of \$163,654 (11%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$70,000 (4%).
- Restricted fund balance - \$298,114 (19%).
- Committed fund balance - \$112,506 (7%).
- Assigned fund balance - \$311,509 (20%).
- Unassigned fund balance - \$798,129 (50%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$1,115,073 increasing \$2,237 (0.2%) from the prior year. Of the \$1,115,073, the unassigned amount is \$803,564 (72%), the assigned amount is \$311,509 (28%). General fund revenues were approximately \$132,772 (4%) more than the prior fiscal year while expenditures decreased approximately \$27,191 (1%). Other activity in the General fund was net transfers to other funds of \$291,129.

The major changes in general fund expenditures from the prior fiscal year were as follows:

- Decrease in Health and human services expenditures of \$79,242 (49%).
- Increase in Culture and recreation expenditures of \$12,821 (20%).
- Increase in net Debt service (Principal and Interest) \$24,342 (31%).

Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *Water Fund* is the financing and operations of the Town's water system. The water fund shows a decrease of \$77,848 (2%) in total operations. This change resulted from operating expenditures exceeding operating revenues of \$130,181, interest expense of \$35,899 and transfers in from the governmental funds of \$88,232. Operating revenues increased by approximately \$32,398 (31%) while operating expenses also increased by approximately \$15,822 (6%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$3,562,284. This was an increase of \$132,536 (4%) over the previous year's budget.

General fund expenditures were less than budgeted by \$237,905. Of the \$237,905 in under budget expenditures, \$85,507 has been carried over to fiscal year 2013.

The total actual revenue exceeded the amount that was budget by \$38,685.

The total actual expenses for state assessments exceeded the budget by \$120 as a result of higher registry of motor vehicle non-renewal surcharges.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2012 amounts to \$8,130,612 in governmental type funds and \$4,493,946 in business type funds.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police facility construction for \$47,080.
- Highway vehicles for \$143,310.
- Highway garage heating and air conditioning system (HVAC) for \$36,513.
- Recreational field improvements for \$22,500.

There were no major capital events during the current fiscal year in the business-type funds.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2012, totaled \$100,000 for a highway truck.

The business-type funds have \$898,971 in long-term debt for of water projects.

Please refer to notes 3C and 3E for further discussion of the major capital and debt activity.

Town Meeting – Fiscal Year 2013

The Town of Egremont operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2012 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 1, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$	3,527,726
From water revenue		145,000
From other available funds:		
(Designated for Subsequent Years' Expenditures)		
General Fund:		
Unassigned fund balance:		
(Free cash)	\$	182,672
(Overlay surplus)		43,330
		<hr/> 226,002
Non-major Governmental Funds:		
Recycling proceeds		6,000
		<hr/>
	\$	<hr/> 3,904,728

Requests for Information

This financial report is designed to provide a general overview of the Town of Egremont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 171 Egremont Plain Road, Egremont, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF EGREMONT, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,694,493	\$ (388)	\$ 1,694,105
Receivables, net of allowance for uncollectibles:			
Property Taxes	144,713	-	144,713
Excise Taxes	18,662	-	18,662
User Charges	-	29,670	29,670
Departmental	28,215	-	28,215
Due from Other Governments	281,893	-	281,893
Total current assets	2,167,976	29,282	2,197,258
NONCURRENT:			
Capital Assets, net of accumulated Depreciation			
Nondepreciable	146,180	100,000	246,180
Depreciable	7,984,432	4,393,946	12,378,378
Total noncurrent assets	8,130,612	4,493,946	12,624,558
Total Assets	10,298,588	4,523,228	14,821,816
LIABILITIES			
CURRENT:			
Warrants Payable	117,761	4,222	121,983
Accrued Payroll	13,097	1,242	14,339
Tax Refund Payable	4,765	-	4,765
Accrued Interest	-	17,417	17,417
Other	1,712	-	1,712
Bonds and Notes Payable	34,000	34,125	68,125
Total current liabilities	171,335	57,006	228,341
NONCURRENT:			
Compensated Absences	16,625	3,725	20,350
OPEB Obligation Payable	189,465	-	189,465
Bonds and Notes Payable	66,000	864,846	930,846
Total noncurrent liabilities	272,090	868,571	1,140,661
Total Liabilities	443,425	925,577	1,369,002
NET ASSETS:			
Invested in Capital Assets, net of related debt	8,030,612	3,594,975	11,625,587
Restricted for:			
Federal & State Grants	422,408	-	422,408
Permanent Funds:			
Expendable	41,453	-	41,453
Nonexpendable	70,000	-	70,000
Other Purposes	144,361	-	144,361
Unrestricted	1,146,329	2,676	1,149,005
Total Net Assets	\$ 9,855,163	\$ 3,597,651	\$ 13,452,814

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 429,673	\$ 30,290	\$ 24,591	\$ -	\$ (374,792)	\$ -	\$ (374,792)
Public Safety	476,387	112,493	3,511	-	(360,383)	-	(360,383)
Public Works	878,940	14,949	15,731	227,089	(621,171)	-	(621,171)
Education	1,398,472	-	18,021	-	(1,380,451)	-	(1,380,451)
Health and Human Services	86,880	13,210	11,636	-	(62,034)	-	(62,034)
Culture and Recreation	85,909	825	18,082	-	(67,002)	-	(67,002)
Employee Benefits and Insurance	412,313	-	-	-	(412,313)	-	(412,313)
State Assessments	1,411	-	-	-	(1,411)	-	(1,411)
Interest	3,379	-	-	-	(3,379)	-	(3,379)
Total Governmental Activities	3,773,364	171,767	91,572	227,089	(3,282,936)	-	(3,282,936)
Business-Type Activities:							
Water	304,209	138,129	-	-	-	(166,080)	(166,080)
Total Primary Government	\$ 4,077,573	\$ 309,896	\$ 91,572	\$ 227,089	(3,282,936)	(166,080)	(3,449,016)
General Revenues:							
Property Taxes					3,090,429	-	3,090,429
Motor vehicle and other taxes					180,732	-	180,732
Penalties & Interest on taxes					18,166	-	18,166
Grants & Contributions not restricted to specific programs					244,996	-	244,996
Unrestricted Investment Income					4,369	-	4,369
Miscellaneous					2,713	-	2,713
Transfers, net					(88,232)	88,232	-
Total General Revenues, Contributions and Transfers					3,453,173	88,232	3,541,405
Change in Net Assets							
					170,237	(77,848)	92,389
Net Assets:							
Beginning of year (as restated)					9,684,926	3,675,499	13,360,425
End of year					\$ 9,855,163	\$ 3,597,651	\$ 13,452,814

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,214,824	\$ 479,669	\$ 1,694,493
Receivables, net of allowance for uncollectibles:			
Property Taxes	144,713	-	144,713
Excise Taxes	18,662	-	18,662
Departmental	-	28,215	28,215
Due from Other Governments	-	281,893	281,893
Total Assets	\$ 1,378,199	\$ 789,777	\$ 2,167,976
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Warrants Payable	\$ 113,277	\$ 4,484	\$ 117,761
Accrued Payroll	13,097	-	13,097
Tax Refund Payable	4,765	-	4,765
Other	1,712	-	1,712
Deferred Revenue:			
Property Taxes	111,613	-	111,613
Other	18,662	310,108	328,770
Total Liabilities	263,126	314,592	577,718
Fund Balance:			
Non-Spendable	-	70,000	70,000
Restricted	-	298,114	298,114
Committed	-	112,506	112,506
Assigned	311,509	-	311,509
Unassigned	803,564	(5,435)	798,129
Total Fund Balance	1,115,073	475,185	1,590,258
Total Liabilities and Fund Balance	\$ 1,378,199	\$ 789,777	\$ 2,167,976

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 3,009,583	\$ -	\$ 3,009,583
Intergovernmental	250,545	189,979	440,524
Excise and Other Taxes	189,172	-	189,172
Charges for Services	-	50,121	50,121
Licenses, Permits, Fees	145,910	-	145,910
Interest and Penalties on Taxes	18,166	-	18,166
Investment Income	4,369	420	4,789
Gifts and Donations	-	12,177	12,177
Other	-	16,822	16,822
Total Revenues	3,617,745	269,519	3,887,264
Expenditures:			
Current:			
General Government	392,269	28,759	421,028
Public Safety	398,704	86,300	485,004
Public Works	526,771	263,730	790,501
Education	1,398,472	-	1,398,472
Health and Human Services	81,654	5,530	87,184
Culture and Recreation	78,234	26,680	104,914
Employee Benefits and Insurance	344,516	-	344,516
State Assessments	1,411	-	1,411
Debt Service:			
Principal	98,969	-	98,969
Interest	3,379	-	3,379
Total Expenditures	3,324,379	410,999	3,735,378
Excess of Revenues Over (Under) Expenditures	293,366	(141,480)	151,886
Other Financing Sources (Uses):			
Operating Transfers In	-	202,897	202,897
Operating Transfers Out	(291,129)	-	(291,129)
Proceeds from Bonds and Notes	-	100,000	100,000
Total Other Financing Sources (Uses)	(291,129)	302,897	11,768
Net Change in Fund Balances	2,237	161,417	163,654
Fund Balances, Beginning of Year (as restated)	1,112,836	313,768	1,426,604
Fund Balances, End of Year	\$ 1,115,073	\$ 475,185	\$ 1,590,258

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF EGREMONT, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2012

Total Governmental Fund Balances			\$	1,590,258
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.				8,130,612
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.				440,383
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:				
Bonds and Leases Payable	\$	(100,000)		
Other Post Employment Benefits Payable		(189,465)		
Compensated Absences		(16,625)		(306,090)
				<hr/>
Net Assets of Governmental Activities			\$	<u><u>9,855,163</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF EGREMONT, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	163,654
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 249,403		
Depreciation	<u>(316,678)</u>		(67,275)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

144,569

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	98,969		
Proceeds from Bonds and Notes	<u>(100,000)</u>		(1,031)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(1,883)		
Net Change in Other Post Employment Benefits	<u>(67,797)</u>		(69,680)

Change in Net Assets of Governmental Activities	\$	<u>170,237</u>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next year	(Negative)
Revenues:					
Property Taxes	\$ 3,019,204	\$ 3,019,204	\$ 3,001,086	\$ -	\$ (18,118)
Intergovernmental	238,491	238,491	250,545	-	12,054
Excise and Other Taxes	165,689	165,689	189,172	-	23,483
Licenses, Permits, Fees	131,400	131,400	145,910	-	14,510
Interest and Penalties on Taxes	12,000	12,000	18,166	-	6,166
Investment Income	3,000	3,000	3,590	-	590
Total Revenues	3,569,784	3,569,784	3,608,469	-	38,685
Expenditures:					
Current:					
General Government	445,596	439,704	392,269	4,598	42,837
Public Safety	490,559	490,559	398,704	79,266	12,589
Public Works	546,309	550,179	526,771	1,639	21,769
Education	1,417,627	1,417,780	1,398,472	-	19,308
Health and Human Services	82,840	84,153	81,654	-	2,499
Culture and Recreation	81,523	81,523	78,234	4	3,285
Employee Benefits and Insurance	394,899	394,746	344,516	-	50,230
State Assessments	1,291	1,291	1,411	-	(120)
Debt Service:					
Principal	98,260	98,969	98,969	-	-
Interest	3,380	3,380	3,379	-	1
Total Expenditures	3,562,284	3,562,284	3,324,379	85,507	152,398
Excess of Revenues Over (Under) Expenditures	7,500	7,500	284,090	(85,507)	191,083
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(152,819)	(152,819)	(151,129)	-	1,690
Total Other Financing Sources (Uses)	(152,819)	(152,819)	(151,129)	-	1,690
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(145,319)	(145,319)	132,961	(85,507)	192,773
Budgetary Fund Balance - Beginning of Year	613,819	613,819	\$ 613,819	-	-
Budgetary Fund Balance - End of Year	\$ 468,500	\$ 468,500	\$ 746,780	\$ (85,507)	\$ 192,773

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF EGREMONT, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 3,608,469	\$ 3,324,379
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	779	-
Net Decrease in Revenue from recording Refund Taxes Payable	(4,765)	-
Net Increase in Revenue from Recording 60-Day Receipts	13,262	-
Reported on a GAAP Basis	<u>\$ 3,617,745</u>	<u>\$ 3,324,379</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Water Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ (388)
User Charges, net of allowance for uncollectibles	29,670
Total current assets	<u>29,282</u>
NONCURRENT:	
Capital Assets, net of accumulated depreciation:	
Nondepreciable	100,000
Depreciable	4,393,946
Total noncurrent assets	<u>4,493,946</u>
Total Assets	<u><u>4,523,228</u></u>
LIABILITIES	
CURRENT:	
Accounts Payable	4,222
Accrued Payroll	1,242
Accrued Interest	17,417
Bonds Payable	34,125
Total current liabilities	<u>57,006</u>
NONCURRENT:	
Compensated Absences	3,725
Bonds Payable	864,846
Total noncurrent liabilities	<u>868,571</u>
Total Liabilities	<u><u>925,577</u></u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	3,594,975
Unrestricted	2,676
Total Net Assets	<u><u>\$ 3,597,651</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Water Fund
Operating Revenues:	
Charges for Services	\$ 138,129
Total Operating Revenues	<u>138,129</u>
Operating Expenses:	
Salaries & Wages	64,435
Operating Expenses	93,046
Depreciation	110,829
Total Operating Expenses	<u>268,310</u>
Operating Income (Loss)	<u>(130,181)</u>
Non-Operating Revenues (Expenses):	
Interest Expense	(35,899)
Total Non-Operating Revenues (Expenses)	<u>(35,899)</u>
Income (Loss) Before Operating Transfers	(166,080)
Operating Transfers:	
Transfers In/(Out)	88,232
Total Operating Transfers	<u>88,232</u>
Change in Net Assets	<u>(77,848)</u>
Net Assets at Beginning of Year (as restated)	<u>\$ 3,675,499</u>
Net Assets at End of Year	<u><u>\$ 3,597,651</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Fund
	Water Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 136,618
Payments to Vendors	(88,824)
Payments to Employees	(64,553)
Net Cash Provided by (Used for) Operating Activities	(16,759)
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	88,232
Net Cash Provided by (Used for) Noncapital Financing Activities	88,232
Cash Flows from Capital and Related Financing Activities:	
Principal Payments on Bonds	(34,125)
Interest Expense	(36,565)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(70,690)
Net Increase (Decrease) in Cash and Cash Equivalents	783
Cash and Cash Equivalents at Beginning of Year	\$ (1,171)
Cash and Cash Equivalents at End of Year	\$ (388)
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating Income (Loss)	\$ (130,181)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	110,829
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	4,222
Increase (Decrease) in Accrued Payroll	1,242
Increase (Decrease) in Compensated Absences	(1,360)
Decrease (Increase) in User Charges Receivable	(1,511)
Total Adjustments	113,422
Net Cash Provided by (Used for) Operating Activities	\$ (16,759)

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EGREMONT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,393
Total Assets	<u>5,393</u>
LIABILITIES	
Warrants Payable	224
Due to Others	169
Deposits and Escrows	<u>5,000</u>
Total Liabilities	<u>5,393</u>
NET ASSETS:	
Held in Trust for Other Purposes	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Egremont, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1775 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2012, it was determined that no entities met the required GASB-14 and GASB-39 criteria for component units.

The Town is responsible for electing a committee member of the Southern Berkshire Regional School District. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing two board members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

Southern Berkshire Regional School District - A regional school district made up of five communities to serve and provide a learning environment. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net assets and the change in net assets.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and
- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *water fund* is used to account for the water activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Towns also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2012 on June 30, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 18, 2011 that were due on February 1, 2012 and May 1, 2012, respectively.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is \$3,453,660.

The total amount raised by taxation was \$3,065,819.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise taxes is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is based upon estimates and historical trends.

User Charges

User charges and fees consist of water that are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed each year and are included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of Title V septic loans.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	10-40
Improvements Other Than Buildings	25
Automobiles and trucks	3-25
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

J. Net Assets and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

- "Federal and state grants" represents amounts restricted by the federal and state government for various programs.
- "Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- "Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.
- "Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% to 75% share of insurance premiums in the general fund in the fiscal year paid.

M. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments in accordance with the Massachusetts General Laws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2012, the Town incurred a final budget deficit of \$145,319 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved Fund Balance:	
Free cash	\$ 206,537
Reserved for deficits	(79,792)
Prior year's encumbrances	18,574
	<hr/>
	\$ 145,319
	<hr/>

B. Deficit Fund Balances

The Town has non-major special revenue fund balances that have deficits at June 30, 2012 of \$5,435. The deficits will be eliminated by the Town appropriating additional funds.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$1,677,234. Of these, \$174,659 were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the Town has no investments that meet the above criteria.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Receivables

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 144,713	\$ -	\$ 144,713
Excise taxes	18,662	-	18,662
Departmental	28,215	-	28,215
Due from other governments	281,893	-	281,893
	<u>\$ 473,483</u>	<u>\$ -</u>	<u>\$ 473,483</u>

At June 30, 2012, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water Fund:			
Water user charges	\$ 30,566	\$ (3,885)	\$ 26,681
Water Liens	2,989	-	2,989
	<u>\$ 33,555</u>	<u>\$ (3,885)</u>	<u>\$ 29,670</u>

The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

Governmental Funds:

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds \$ 281,893

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$111,613.

The various components of the other deferred revenue reported in the governmental funds are as follows:

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

General Fund:

Excise taxes \$ 18,662

Nonmajor Governmental Funds:

Departmental	\$ 28,215	
Due from other governments	281,893	310,108
	<u>\$</u>	<u>328,770</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, is as follows

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 99,100	\$ -	\$ -	\$ 99,100
Construction in progress	-	47,080	-	47,080
Total capital assets not being depreciated	99,100	47,080	-	146,180
Capital assets being depreciated:				
Buildings and Renovations	549,126	59,013	-	608,139
Machinery, equipment and other	1,796,778	143,310	-	1,940,088
Infrastructure	20,510,000	-	-	20,510,000
Total capital assets being depreciated	22,855,904	202,323	-	23,058,227
Less accumulated depreciation for:				
Buildings and Renovations	260,971	13,798	-	274,769
Machinery, equipment and other	959,546	97,780	-	1,057,326
Infrastructure	13,536,600	205,100	-	13,741,700
Total accumulated depreciation	14,757,117	316,678	-	15,073,795
Total capital assets being depreciated, net	8,098,787	(114,355)	-	7,984,432
Total governmental activities capital assets, net	\$ 8,197,887	\$ (67,275)	\$ -	\$ 8,130,612

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets not being depreciated	100,000	-	-	100,000
Capital assets being depreciated:				
Infrastructure	5,540,966	-	-	5,540,966
Total capital assets being depreciated	5,540,966	-	-	5,540,966
Less accumulated depreciation for:				
Infrastructure	1,036,191	110,829	-	1,147,020
Total accumulated depreciation	1,036,191	110,829	-	1,147,020
Total capital assets being depreciated, net	4,504,775	(110,829)	-	4,393,946
Total governmental activities capital assets, net	\$ 4,604,775	\$ (110,829)	\$ -	\$ 4,493,946

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 8,464
Public safety	37,794
Public works	266,925
Culture and recreation	3,495
Total depreciation expense - governmental activities	<u>\$ 316,678</u>

Business-Type Activities:

Water fund	\$ 110,829
Total depreciation expense - business-type activities	<u>\$ 110,829</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized below:

Transfers Out:	Transfers In:		
	Nonmajor Governmental funds	Business-type funds	Total
General fund	\$ 202,897	\$ 88,232	\$ 291,129

E. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

General obligation bonds currently outstanding of the governmental activities are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Highway truck	2.00%	2/9/2013	2/9/2015	\$ 100,000	\$ 100,000
Total governmental type debt					<u>\$ 100,000</u>

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012, are as follows:

Governmental	Principal	Interest	Total
2013	\$ 34,000	\$ 2,000	\$ 36,000
2014	33,000	1,320	34,320
2015	33,000	660	33,660
	<u>\$ 100,000</u>	<u>\$ 3,980</u>	<u>\$ 103,980</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Outside Debt:					
U.S. Department of Agriculture:					
Water phase I	3.25%	10/15/99	10/15/37	\$ 610,690	\$ 417,838
Water phase II	4.50%	02/07/00	02/07/38	1,700,000	407,696
Water phase III	4.50%	07/29/08	07/15/28	1,300,000	73,437
Total business-type debt					<u>\$ 898,971</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012, are as follows:

Business-type	Principal	Interest	Total
2013	\$ 34,125	\$ 35,231	\$ 69,356
2014	34,125	33,896	68,021
2015	34,125	32,561	66,686
2016	34,125	31,227	65,352
2017	34,125	29,892	64,017
2018-2022	170,625	129,438	300,063
2023-2027	170,625	96,089	266,714
2028-2032	170,625	62,701	233,326
2033-2037	170,617	29,354	199,971
2038-2042	43,577	3,340	46,917
2043	2,277	102	2,379
	<u>\$ 898,971</u>	<u>\$ 483,831</u>	<u>\$ 1,382,802</u>

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 98,969	\$ 100,000	\$ 98,969	\$ 100,000	\$ 34,000
<i>OPEB obligation payable</i>	125,494	63,971	-	189,465	-
<i>Compensated absences</i>	14,742	2,187	304	16,625	-
Governmental activity					
Long-term liabilities	<u>\$ 239,205</u>	<u>\$ 166,158</u>	<u>\$ 99,273</u>	<u>\$ 306,090</u>	<u>\$ 34,000</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 933,096	\$ -	\$ 34,125	\$ 898,971	\$ 34,125
<i>Compensated absences</i>	5,085	-	1,360	3,725	-
Business-type activity long term					
Long-term liabilities	<u>\$ 938,181</u>	<u>\$ -</u>	<u>\$ 35,485</u>	<u>\$ 902,696</u>	<u>\$ 34,125</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2012 totaled \$100,000.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2012:

Equalized Valuation-Real Estate and Personal Property (2012)		<u>\$ 437,811,900</u>
Debt Limit: 5 % of Equalized value		<u>\$ 21,890,595</u>
Total Debt Outstanding	\$ 998,971	
Less: Debt Outside Debt Limit	<u>(898,971)</u>	<u>100,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u><u>\$ 21,790,595</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town council votes to rescind the authorized debt.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Loan authorizations that have not been issued as of June 30, 2012 and are not reflected in the Town's financial statements are as follows:

Description	Date of Town Council	Amount
New Police Station	5/3/2011	<u>\$ 265,000</u>

F. Fund Balances

The following is a summary of the Town's Governmental Funds fund balances at the year ended June 30, 2012:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 70,000	\$ 70,000
Restricted:			
Federal, state and local grants	-	140,515	140,515
Town revolving funds	-	38,008	38,008
Donations and gifts	-	43,990	43,990
Permanent funds	-	41,454	41,454
Other	-	34,147	34,147
	-	298,114	298,114
Committed:			
Capital projects	-	112,506	112,506
Assigned:			
General government	4,598	-	4,598
Public safety	79,266	-	79,266
Public works	1,639	-	1,639
Culture and recreation	4	-	4
Fiscal year 2013 budget	226,002	-	226,002
	311,509	-	311,509
Unassigned:			
General fund	803,564	-	803,564
Special revenue:			
Grant funds	-	(921)	(921)
Conservation committee revolving	-	(2,495)	(2,495)
Insurance reimbursement	-	(1,838)	(1,838)
Gifts and donation funds	-	(181)	(181)
	803,564	(5,435)	798,129
Total Governmental Fund Balances	<u>\$ 1,115,073</u>	<u>\$ 475,185</u>	<u>\$ 1,590,258</u>

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

G. Special Trust Funds

Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2012 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 329,956
OPEB stabilization fund	10,001
	<u>\$ 339,957</u>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

There are pending lawsuits against the Town at June 30, 2012. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012. The outcome of lawsuits is not expected to materially affect the financial condition of the Town.

C. Subsequent Events

Long Term Debt

On July 7, 2012, the Town issued \$1,185,000 of general obligation bonds, the proceeds of \$920,000 used to refinance water projects and \$265,000 to design and construct a new police facility in the Town. Interest is payable on October 15 and April 15 commencing on October 15, 2012 at an average rate of 2.00%. The bonds mature on October 15 of the years 2012 through 2021.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

The Town provides lifetime medical and dental care for retirees. Active employees who are not Medicare eligible may choose the HMO Blue 1 and the Dental plan. Benefits for retirees and spouses are obtained through Medicare supplemental insurance by participating in the Medex 3.

Active employees who participate in HMO Blue 1 and dental coverage: the Town contributes 75% of the premium.

Retirees who participate in Medex 3 and dental coverage: the Town contributes 50% of the medical and dental premiums.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$12,037.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 76,742
Interest on net OPEB obligation	5,020
Adjustment to annual required contribution	<u>(5,754)</u>
Annual OPEB cost (expense)	76,008
Contributions made during the fiscal year	<u>12,037</u>
Increase in net OPEB obligation	63,971
Net OPEB Obligation - beginning of year	125,494
Net OPEB Obligation - end of year	<u><u>\$ 189,465</u></u>

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 73,446	17.17%	\$ 60,834
6/30/2011	\$ 75,690	14.57%	\$ 125,494
6/30/2012	\$ 76,008	15.84%	\$ 189,465

Funded Status and Funding Process

As of July 1, 2010, the most recent update to the report, the plan was 0.0% funded. The actuarial liability for benefits was \$621,642, and the actuarial value of assets was 0.0 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$621,642. The covered payroll (annual payroll of active employees covered by the plan) was \$442,173, and the ratio of the UAAL to the covered payroll was 140.59%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ 621,642	\$ -	\$ 621,642	0%	\$ 442,173	140.59%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation as of July 1, 2010, used the entry age normal actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. The actuarial assumptions include an investment rate of return of 4.0%, a discount rate of 4%, a payroll increase rate of 2.0% per annum and medical/drug cost trend rate at 7% decreasing to an ultimate level of 5.00% per year.

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Healthcare trend rates as follows:

Year	Medical
Year 1	7%
Year 2	8%
Year 3	7%
Year 4	8%
Year 5	7%
Year 6	8%
Year 7-10	5%
Year 11-21	5%
Year 21+	5%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2012 is 27 years.

E. Pension Plan

Plan Description

The Town, as a member of the Berkshire Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Berkshire Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1987 must be approved by the Berkshire Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 76 East Street, Pittsfield, Massachusetts.

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2012, 2011 and 2010 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2012	\$ 114,016
2011	\$ 108,171
2010	\$ 104,563

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The last actuarial valuation was prepared by the Public Employee Retirement Administration Commission (PERAC) as of January 1, 2011.

The unfunded actuarial liability for the entire system is \$29,709,876. The Town's portion of such liability is approximately 1.64% or \$487,242.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. The Berkshire Regional Retirement System accepted the provisions of Chapter 32, Section 22 (D) to become a funding unit.

Reporting Policies

The funds of the Berkshire Regional Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

5. Restatement

The beginning Governmental fund balances have been restated as follows:

	General Fund	Nonmajor Governmental Funds	Total
Fund balance June 30, 2011	\$ 633,658	\$ 812,823	\$ 1,446,481
Adjustments:			
Reclassify stabilization fund to general fund	479,178	(479,178)	-
Establish septic loan receivable deferred revenue	-	(29,215)	(29,215)
Reclassify agency funds to nonmajor fund balance	-	9,338	9,338
Restated fund balance June 30, 2011	<u>\$ 1,112,836</u>	<u>\$ 313,768</u>	<u>\$ 1,426,604</u>

TOWN OF EGREMONT, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The beginning Government-Wide net assets have been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net Assets June 30, 2011	\$ 9,481,600	\$ 3,698,667	\$ 13,180,267
<i>Adjustments:</i>			
Recognize deferred revenue as revenue	237,945		237,945
Recognize compensated absences	(14,742)	(5,085)	(19,827)
Recognize accrued interest on debt		(18,083)	(18,083)
Net governmental fund balance restatements	(19,877)	-	(19,877)
Restated Net Assets June 30, 2011	<u>\$ 9,684,926</u>	<u>\$ 3,675,499</u>	<u>\$ 13,360,425</u>

SUPPLEMENTARY SCHEDULES

TOWN OF EGREMONT, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Special Revenue:					
Federal and State Grants:					
Arts Lottery Council Grant	\$ 7,460	\$ 7,757	\$ 8,570	\$ -	\$ 6,647
Council on Aging Grants	130	4,200	4,200	-	130
Emergency Management Grants	-	13,993	-	-	13,993
Energy Efficiency and Conservation Block Grant	(35,284)	72,035	36,513	-	238
Highway Grants	181	81,892	81,892	-	181
Library Grants	5,303	1,364	468	-	6,199
Other Grants and Programs	7,156	6,804	6,781	-	7,179
Public Safety Grants	74,735	1,952	2,203	-	74,484
Recycling and Waste Management Grants	32,559	-	2,016	-	30,543
Other:					
Board of Appeals Revolving	5,684	144	551	-	5,277
Community Septic Program	16,147	1,092	-	-	17,239
Composting Bins Revolving	271	75	270	-	76
Conservation Committee	(914)	1,994	3,575	-	(2,495)
Dog License Revolving	7,287	183	-	-	7,470
French Park Revolving	2,600	825	150	-	3,275
Gifts and Donations	44,707	12,178	13,076	-	43,809
Inspectors Revolving Accounts	3,178	12,263	10,915	-	4,526
Insurance Reimbursement	(3,326)	14,860	13,371	-	(1,837)
Landfill Capping	5,826	-	-	-	5,826
Outside Details	9,338	24,715	26,101	-	7,952
Planning Board	-	8,000	3,598	-	4,402
Wetlands Protection Fund	4,109	920	-	-	5,029
Conservation Fund	11,056	26	-	-	11,082
Total Special Revenue Funds	198,203	267,272	214,250	-	251,225
Capital Projects:					
Highway Truck	-	-	143,311	143,311	-
Police Facility	-	-	47,080	159,586	112,506
\$	-	\$ -	\$ 190,391	\$ 302,897	\$ 112,506

TOWN OF EGREMONT, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Perpetual Permanent Funds:					
Cemetery Funds:					
Cemetery Perpetual Care Fund	\$ 60,000	\$ -	\$ -	\$ -	60,000
Frank Boice Memorial Fund	10,000	-	-	-	10,000
Total Perpetual Permanent Funds	70,000	-	-	-	70,000
Permanent Funds:					
Cemetery Funds:					
Cemetery Perpetual Care Fund	1,638	155	-	-	1,793
Frank Boice Memorial Fund	139	24	-	-	163
Hillside Fund	19,505	1,853	-	-	21,358
Free Library Fund	15,100	196	3,037	-	12,259
French Park Fund	9,183	19	3,321	-	5,881
Total Permanent Funds	45,565	2,247	6,358	-	41,454
Total - Non-Major Governmental Funds	\$ 313,768	\$ 269,519	\$ 410,999	\$ 302,897	\$ 475,185

TOWN OF EGREMONT, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Real Estate Taxes:						
Levy of 2012	\$ -	\$ 3,004,629	\$ 11,593	\$ 2,864,516	\$ 128,520	\$ 122,880
Levy of 2011	73,926	-	10,044	51,100	12,782	12,782
Levy of 2010	20,343	-	9,478	10,865	-	-
	94,269	3,004,629	31,115	2,926,481	141,302	135,662
Personal Property Taxes:						
Levy of 2012	-	61,240	-	57,961	3,279	3,279
Levy of 2011	2,066	-	246	1,688	132	132
Levy of 2010	55	-	55	-	-	-
	2,121	61,240	301	59,649	3,411	3,411
Total Real Estate and Personal Property Taxes	\$ 96,390	\$ 3,065,869	\$ 31,416	\$ 2,986,130	\$ 144,713	\$ 139,073

**TOWN OF EGREMONT, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
\$	-	\$ 170,306	\$ 4,871	\$ 156,624	\$ 8,811	\$ 9,335
Levy of 2012	19,411	16,740	974	29,896	5,281	3,248
Levy of 2011	4,792	-	179	43	4,570	4,570
Levy of 2010	881	-	831	50	-	-
Levy of 2009	448	-	448	-	-	-
Levy of 2008	1,569	-	1,569	-	-	-
Prior Years						
Total Motor Vehicle Excise Taxes	\$ 27,101	\$ 187,046	\$ 8,872	\$ 186,613	\$ 18,662	\$ 17,153

Motor Vehicle Excise Taxes:

Levy of 2012
Levy of 2011
Levy of 2010
Levy of 2009
Levy of 2008
Prior Years

Total Motor Vehicle Excise Taxes

TOWN OF EGREMONT, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2011 TO JUNE 30, 2012

Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
\$ -	\$ 14,955	\$ -	\$ 14,955	\$ -	\$ -
Tax Liens					
\$ -	\$ 14,955	\$ -	\$ 14,955	\$ -	\$ -